

# Leading private energy coal provider in Ukraine



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## Sadovaya Group at a glance

# Sadovaya Group at a glance

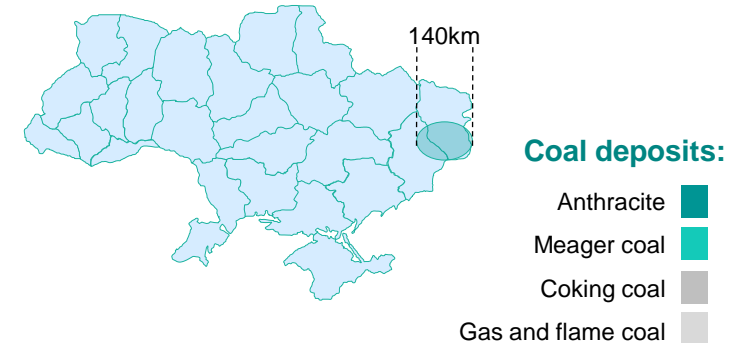


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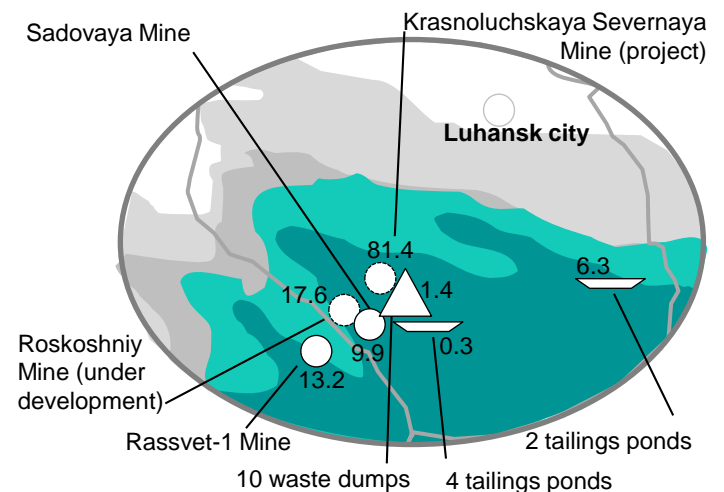
Sadovaya Group is Ukraine's largest independent private provider of energy coal. The Group is focused on mining, preparation, and sale of coal to thermal power plants and the metallurgical sector.

- ◆ Holds 40.7mmt of underground coal resources. All mining assets are owned by the Group
- ◆ Plans to increase resources to 122.2mmt in 2011
- ◆ Controls 7.9mmt of resources in 16 coal waste deposits
- ◆ Sold 905,000t of coal in 2010, or 5.6% of anthracite consumed by Ukraine's thermal power plants
- ◆ 278,500t of coal mining in 2010 made the company Ukraine's fourth largest private producer of energy coal
- ◆ Raised US\$ 30.4mn following a public offering of 25% shares in December 2010
- ◆ Listed on the Warsaw Stock Exchange (WSE) under the ticker SGR PW, and was the WSE's most actively traded Ukrainian newcomer in 1Q11
- ◆ Recently acquired a new mining license and in planning to purchase another license by the end of 2011

## Sadovaya's assets on the Ukrainian map



## Sadovaya's coal resources, mmt <sup>(1)</sup>



(1) Measured and indicated resources in accordance with JORC  
Source: Sadovaya Group, IMC

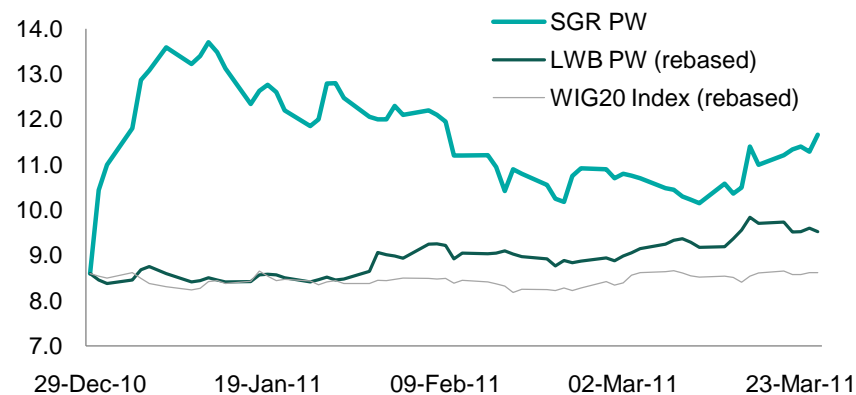
# The most liquid Ukrainian WSE newcomer



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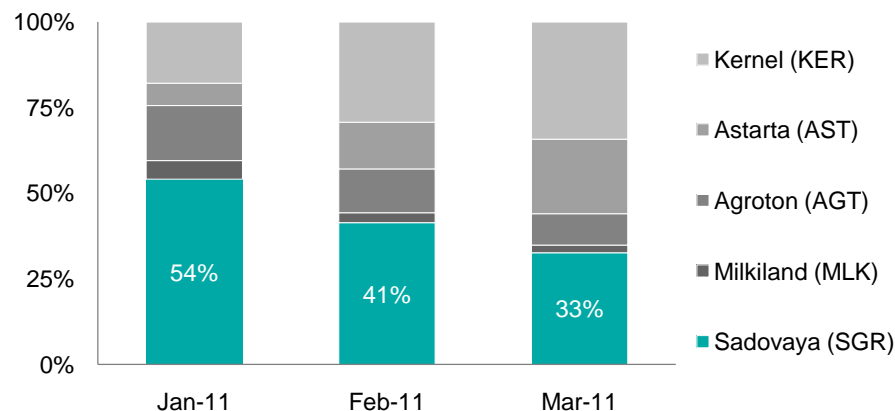
- Due to a large retail investor base, Sadovaya's shares were the most actively traded in 1Q11 from among the three Ukrainian companies that listed on the WSE in 2010
- Sadovaya was the top traded name among all Ukraine-related WSE names by number of trades year-to-date
- The year-to-date total turnover of SGR PW on the exchange was USD 34.3mn (as of March 24)

## Price performance, PLN



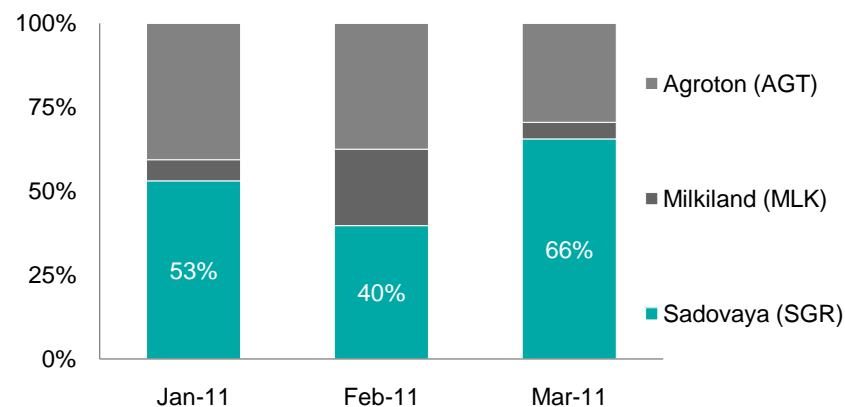
Source: Bloomberg

## Distribution of Ukrainian companies' trades number at WSE



Source: Bloomberg

## Distribution of WSE newcomers by trading turnover



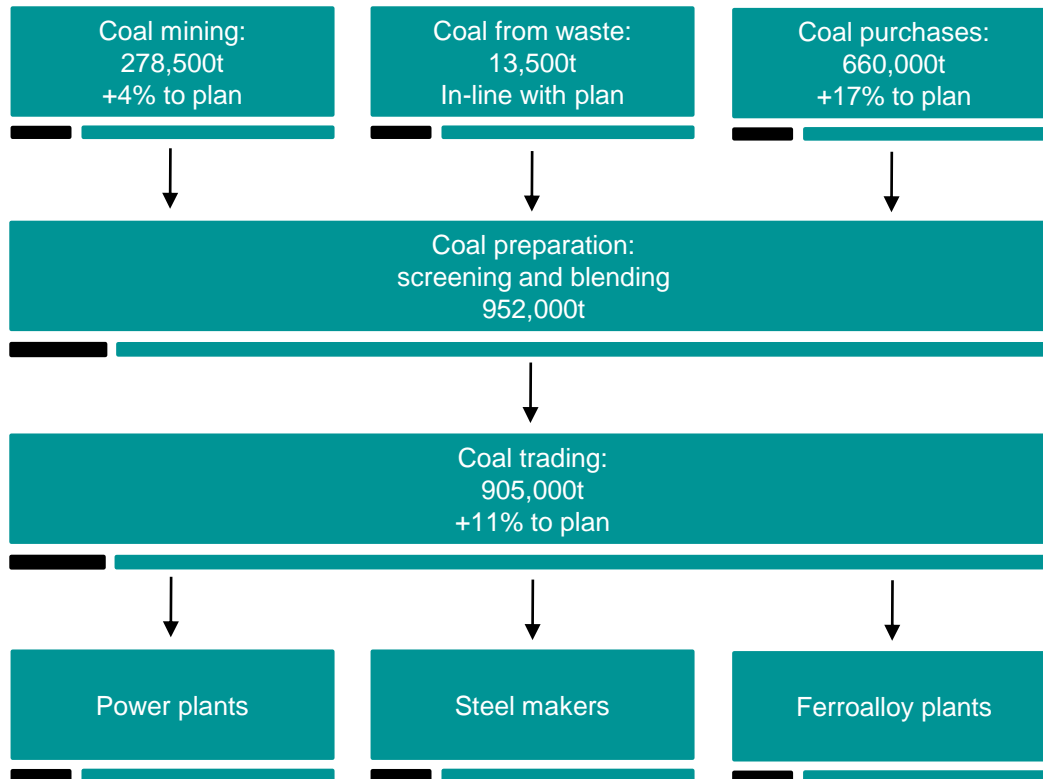
Source: Bloomberg

# Operations 2010: Plans outperformed



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## Simplified operating model with 2010 numbers



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## Business update

# Update for 2011



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## Licenses

- The license to develop the Roskoshniy field acquired in March, total resources under ownership grew 76% to 40.7mmt
- We expect to acquire the Krasnoluchskaya Severnaya license in 2H11 to complete the promised growth of our resource base

## Mining

- Mining increased 2.9 times y/y over 2M11 to 59,270t
- Planning to raise daily mining capacity 3.1 times y/y in 4Q11, after commissioning 3 new longwalls

## Waste recycling

- Currently considering four proposals for the purchase of enrichment machinery
- The platforms for the recycling factories are in the final preparation stage
- Plan to commission the recycling factories in 2H11

# Waste recycling: Ready to install



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- The platforms for the waste recycling factories are in the final preparation stage:
  - Ownership rights for the land plots have been acquired
  - Access roads, power grids, and water lines are ready
  - Railway connection prepared
  - Part of the required machinery is already on site
- Management is currently considering four proposals for the purchase of enrichment machinery from leading international manufacturers
- Plan to commission the recycling factories (total capacity of 300t/h) in 2H11

## Plan for 2011:

- Install 2 waste recycling factories

## Status:

- All of the infrastructure is ready
- Considering 4 equipment supply proposals



# Resources under ownership: +76% YTD



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- Completed the acquisition of the first of two planned mining licenses in March 2011
- The license for the Roskoshniy field increased Sadovaya's resources under ownership 76% to 40.7mmt<sup>(1)</sup> (from 23.1mmt)
- Acquisition of the Krasnoluchskaya Severnaya license is expected in 2H11, which will triple Sadovaya's resource base to 122.2mmt<sup>(1)</sup>

## Plan for 2011:

- Acquire 2 mining licenses to raise resource base by 99.1mmt

## Status:

- 1 license (17.6mmt) has been acquired
- 1 license under negotiation

## Location on Ukrainian map

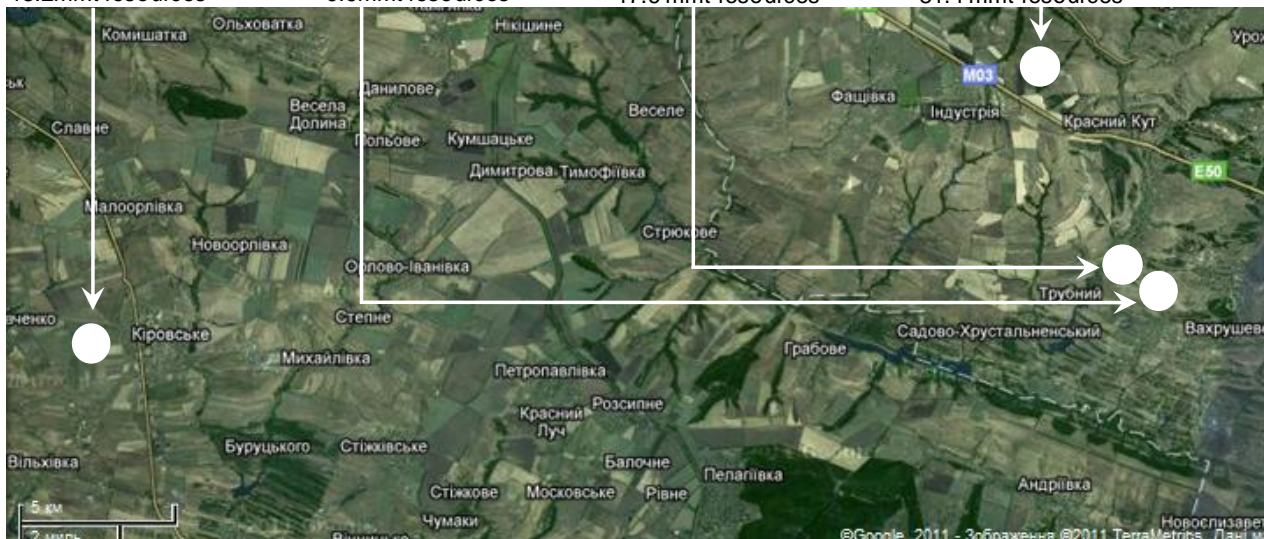


Rassvet-1 Mine  
(operational)  
13.2mmt resources

Sadovaya Mine  
(operational)  
9.9mmt resources

Roskoshniy Mine Field  
(just acquired)  
17.6 mmt resources

Krasnoluchskaya Severnaya Mine  
(to be acquired by end-2011)  
81.4 mmt resources



(1) Measured and indicated resources under JORC, audited by IMC as of July 1, 2010



# Mining triples y/y in 2M11

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- Mining increased 2.9 times y/y over 2M11 to 59,270t
- Plan to raise mining 3.1 times y/y in 1Q11 to 107,000t
- Plan to raise daily mining capacity to 2,503t by 4Q11 (3.1x growth y/y) through the commissioning of three new longwalls
- A new coal seam is being prepared for development at the Sadovaya Mine, with a new longwall to be commissioned in May 2011
- Two coal seams are being prepared at the Rassvet-1 Mine, with two longwalls to be commissioned in 2H11

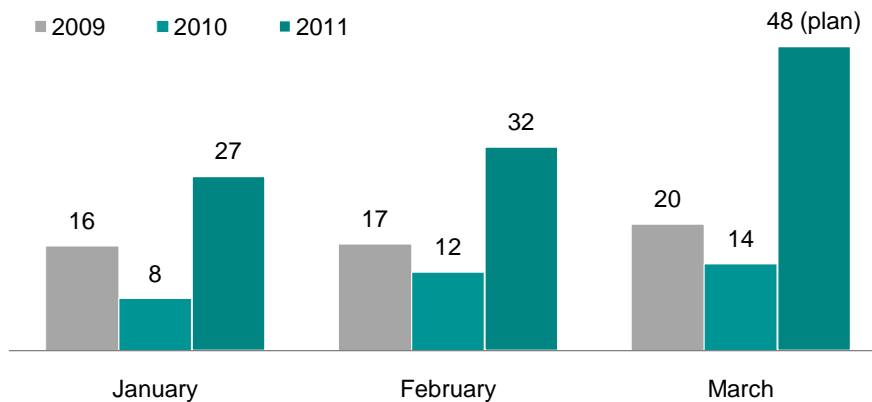
## Plan for 2011:

- Increase coal production at existing longwalls
- Develop 3 new coal seams

## Status:

- Mining grew 2.9x y/y at existing longwalls
- 3 new longwalls are being prepared for mining

## Coal mining, '000t



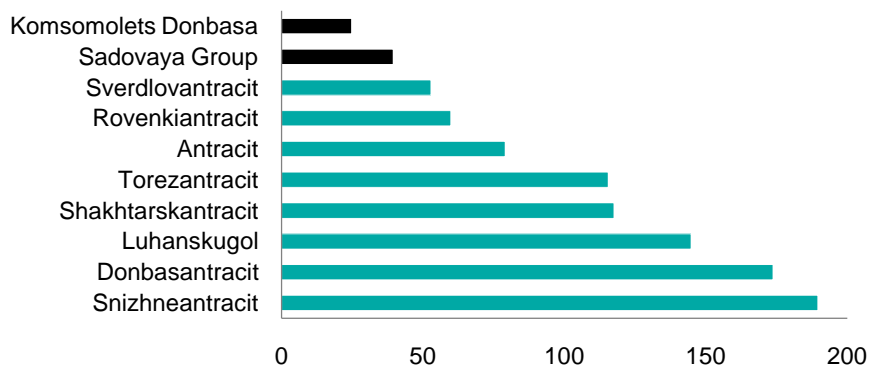
Source: Sadovaya Group



# Production costs – improving efficiency

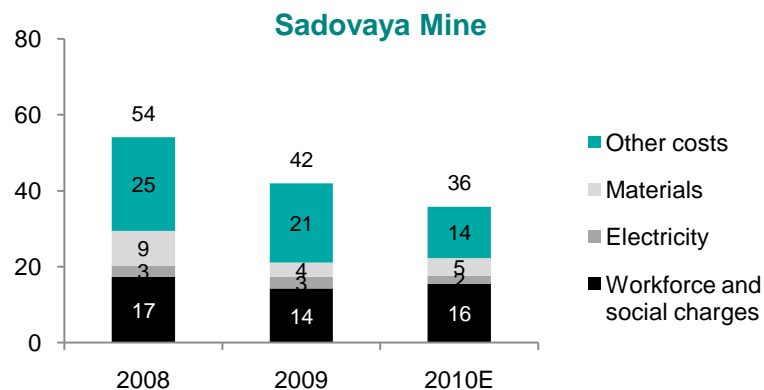
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Anthracite miners' cash production costs, US\$/t, 2010



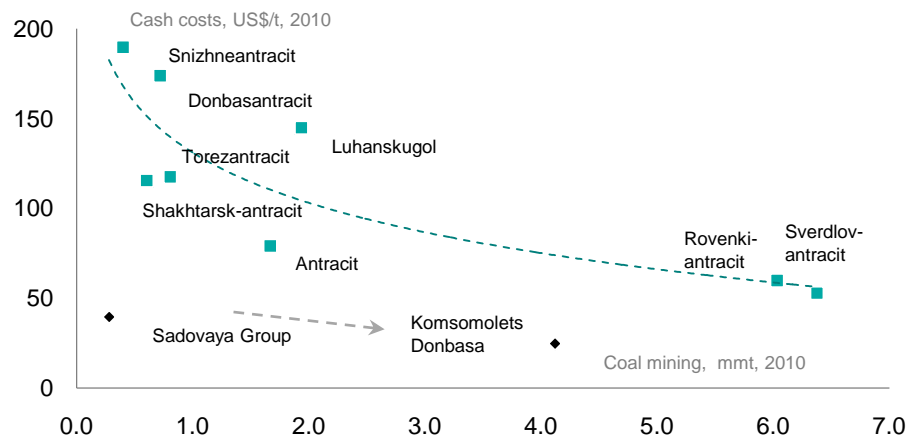
Source: Energobiznes, Coal Ministry of Ukraine, Sadovaya Group

Sadovaya Group mining costs breakdown, US\$/t

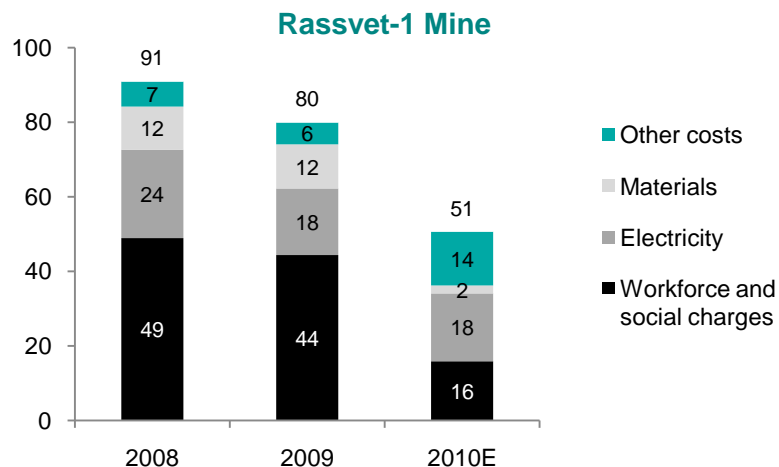


Source: Sadovaya Group

Scale effect in coal mining costs



Source: Energobiznes, Coal Ministry of Ukraine, Sadovaya Group



Source: Sadovaya Group

# Financial summary



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## Summary of key financial indicators, US\$ '000 <sup>(1)</sup>

	2008	2009	2010E
Net revenue	98,888	13,322	50,985
EBITDA	29,849	-3,204	14,744
EBITDA margin	30%	-24%	29%
Operating profit/loss	28,111	-7,297	10,728
Operating margin	28%	-55%	21%
Net profit/loss	25,285	-8,412	7,138
Net margin	26%	-63%	14%
Net debt	7,766	10,895	-2,141

- In 2008, Sadovaya used its local market power to purchase coal from third parties at low costs to generate the bulk of its profit from trading.
- The trading business proved unsustainable in 2009, as the Group purchased coal from third parties at peak prices in 2008 and generated losses from trading during the 2009 demand crisis.
- Sadovaya shifted the focus to its own mining and waste processing, which are poised to generate high and sustainable profits.

Source: Company data (2008 and 2009 audited, 2010E reviewed by Baker Tilly Ukraine)  
(1) Financial results for the periods ended in December 31 of 2008 and 2009 are audited, financial forecasts for the year ended in December 31 of 2010 have been examined by auditors; EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the audited or reviewed Combined Financial Statements. Mining and trading businesses have been restated based on IFRS financials and MER report

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Thank you for your time



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# Appendices

# Financial calendar for 2011



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Issue	Date
Consolidated annual report for FY 2010	29-Apr-11
Conference call on FY2010 results	10-May-11
Consolidated report for 1Q 2011	13-May-11
Conference call on 1Q 2011 results	17-May-11
Consolidated report for 1H 2011	31-Aug-11
Conference call on 1H 2011 results	2-Sep-11
Consolidated report for 3Q 2011	14-Nov-11
Conference call on 3Q 2011 results	17-Nov-11

# Consolidated financials



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## P&L statement summary, US\$ mn<sup>(1)</sup>

	Year ended Dec. 31 2007	Year ended Dec. 31 2008	Year ended Dec. 31 2009	Period ended Jun. 30 2010	Period ended Sep. 30 2010
<b>Net revenue</b>	<b>43.2</b>	<b>98.9</b>	<b>13.3</b>	<b>19.1</b>	<b>40.8</b>
<i>y/y growth</i>	91%	129%	-87%	142%	334%
COGS (net of D&A)	-34.5	-66.0	-15.1	-12.1	-
<b>Gross profit</b>	<b>8.7</b>	<b>32.9</b>	<b>-1.8</b>	<b>7.0</b>	-
<i>Gross margin</i>	20%	33%	-14%	37%	-
SG&A (net of D&A)	-1.6	-2.9	-0.9	-0.2	-
Other oper. Income/loss (net of D&A)	-0.2	-0.2	-0.5	-0.6	-
<b>EBITDA</b>	<b>7.0</b>	<b>29.9</b>	<b>-3.2</b>	<b>6.2</b>	<b>12.5</b>
<i>EBITDA margin</i>	16%	30%	-24%	32%	31%
D&A	-1.1	-1.7	-3.7	-2.0	-3.0
<b>Operating profit</b>	<b>5.9</b>	<b>28.1</b>	<b>-6.9</b>	<b>4.2</b>	<b>9.4</b>
<i>Operating margin</i>	14%	28%	-52%	22%	23%
Financial expense	-1.2	-2.6	-2.3	-1.5	-
Financial income	0.8	0.4	0.3	0.2	-
Other income/expense	0.0	0.0	-0.4	0.0	-
<b>Profit before tax</b>	<b>5.6</b>	<b>25.9</b>	<b>-9.2</b>	<b>2.9</b>	-
Income tax	-0.2	-0.6	0.8	0.4	-
<b>Net income</b>	<b>5.4</b>	<b>25.3</b>	<b>-8.4</b>	<b>3.2</b>	<b>7.9</b>
<i>Net margin</i>	13%	26%	-63%	17%	19%

## Key ratios <sup>(2)</sup>

	Year ended Dec. 31 2007	Year ended Dec. 31 2008	Year ended Dec. 31 2009	Period ended Jun. 30 2010	Period ended Sep. 30 2010
ROE	55%	112%	-27%	6%	38%
ROA	19%	59%	-16%	3%	18%
Net debt/equity, eop	0.9	0.2	0.4	0.6	0.5
Net debt/EBITDA	1.3	0.3	n/m	1.2	1.0

(1) Financial results for the periods ended in December 31 of 2007, 2008 and 2009 are audited, financial results for the period ended in June 30, 2010 are reviewed by the auditor, financial results for the period ended September 30, 2010 are unaudited management accounts; EBITDA is defined as operating profit/(loss) before depreciation and amortization, gains/losses on sale of property, plant and equipment and intangible assets and revaluation gains/losses on property, plant and equipment recognized in income statement. EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the audited or reviewed Combined Financial Statements.

(2) Ratios for periods ended in Jun. 30 and Sep. 30, 2010 are based on annualized net income and EBITDA

# Consolidated financials (continued)



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## Balance sheet summary, US\$ mn<sup>(1)</sup>

	Year ended Dec. 31 2007	Year ended Dec. 31 2008	Year ended Dec. 31 2009	Period ended Jun. 30 2010	Period ended Sep. 30 2010
<b>Non-current assets</b>	<b>13.6</b>	<b>36.8</b>	<b>32.6</b>	<b>32.1</b>	<b>31.5</b>
<b>Current assets</b>	<b>15.0</b>	<b>19.9</b>	<b>16.6</b>	<b>19.6</b>	<b>33.4</b>
Inventories	6.7	8.8	7.1	8.8	-
Trade receivables	6.1	7.6	4.7	5.1	-
Cash	1.2	1.4	0.0	0.0	0.1
Other	1.0	2.1	4.8	5.7	-
<b>Total assets</b>	<b>28.6</b>	<b>56.7</b>	<b>49.2</b>	<b>51.7</b>	<b>64.9</b>
<b>Equity</b>	<b>9.8</b>	<b>35.4</b>	<b>26.3</b>	<b>24.5</b>	<b>29.1</b>
<b>Non-current liabilities</b>	<b>5.6</b>	<b>9.5</b>	<b>9.2</b>	<b>9.4</b>	-
Loans and borrowings	2.5	0.0	0.0	0.0	0.0
Other	3.1	9.5	9.2	9.4	-
<b>Current liabilities</b>	<b>13.1</b>	<b>11.8</b>	<b>13.8</b>	<b>17.7</b>	-
Trade payables	5.6	2.7	2.9	3.5	-
Loans and borrowings	7.5	9.1	10.9	14.2	15.9
Other	0.0	0.0	0.0	0.0	-
<b>Total equity &amp; liabilities</b>	<b>28.6</b>	<b>56.7</b>	<b>49.2</b>	<b>51.7</b>	<b>64.9</b>
<i>Net debt</i>	8.8	7.7	10.9	14.2	15.8

## Cash flow summary, US\$ mn

	Year ended Dec. 31 2007	Year ended Dec. 31 2008	Year ended Dec. 31 2009	Period ended Jun. 30 2010
<b>Operating cash flow</b>	<b>3.8</b>	<b>15.5</b>	<b>0.9</b>	<b>4.4</b>
<i>Incl. working capital change</i>	-3.5	-15.0	3.4	-2.1
<b>Investing cash flow</b>	<b>-3.9</b>	<b>-3.7</b>	<b>-2.6</b>	<b>-0.9</b>
<i>Incl. net capex</i>	-3.6	-2.8	-2.6	-0.9
<b>Financing cash flow</b>	<b>1.2</b>	<b>-10.3</b>	<b>0.4</b>	<b>-3.6</b>
<i>Incl. net borrowings</i>	6.9	3.9	2.1	3.1
<b>Net cash flow</b>	<b>1.1</b>	<b>1.6</b>	<b>-1.3</b>	<b>0.0</b>

(1) Financial results for the periods ended in December 31 of 2007, 2008 and 2009 are audited, financial results for the period ended in June 30, 2010 are reviewed by the auditor, financial results for the period ended September 30, 2010 are unaudited management accounts; EBITDA is defined as operating profit/(loss) before depreciation and amortization, gains/losses on sale of property, plant and equipment and intangible assets and revaluation gains/losses on property, plant and equipment recognized in income statement. EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the audited or reviewed Combined Financial Statements.